

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

March 30, 2001



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
BOONE COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

March 30, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Boone County Sheriff as of March 30, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected net taxes of \$59,162,754 for the districts for 2000 taxes. The Sheriff distributed taxes of \$58,933,841 to the districts for 2000 Taxes. Taxes of \$513 are due to the districts from the Sheriff and refunds of \$68,570 are due to the Sheriff from the taxing districts.

Report Comment:

- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Gary W. Moore, Boone County Judge/Executive

Honorable Michael Helmig, Boone County Sheriff

Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the Boone County Sheriff's Settlement - 2000 Taxes as of March 30, 2001. This tax settlement is the responsibility of the Boone County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Boone County Sheriff's taxes charged, credited, and paid as of March 30, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment.

- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 2, 2003

BOONE COUNTY
MICHAEL HELMIG, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

March 30, 2001

<u>Charges</u>	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	\$ 5,243,757	\$ 8,114,868	\$ 22,923,096	\$ 7,397,618
Tangible Personal Property	1,797,163	2,798,659	5,032,277	3,068,312
Intangible Personal Property				983,231
Tangible Inventory in Transit		618,573		
Increased Through Erroneous				
Assessments	25,286	35,769	70,482	90,474
Omitted Taxes	4,288	6,249	16,611	5,805
Current Year Franchise Corporation	376,103	489,740	1,293,924	
Prior Year Franchise Corporation	45,359	64,259	133,150	
Additional Billings	708,700	38,659	1,973,654	24,803
Limestone, Sand, and Mineral Reserves	631	1,033	2,655	889
Penalties	17,600	26,730	74,428	27,220
Adjusted to Sheriff's Receipt		24	25	690
Gross Chargeable to Sheriff	<u>\$ 8,218,887</u>	<u>\$ 12,194,563</u>	<u>\$ 31,520,302</u>	<u>\$ 11,599,042</u>
<u>Credits</u>				
Exonerations	\$ 117,222	\$ 157,619	\$ 376,536	\$ 207,103
Discounts	133,385	199,788	513,412	198,830
Delinquents:				
Real Estate	54,315	81,251	238,039	76,584
Tangible Personal Property	5,117	7,610	14,853	12,203
Intangible Personal Property				1,781
Uncollected Franchise	16,633	25,906	65,832	
Delinquent Additional Billings	3,648	1,408	11,805	1,373
Exonerated Additional Billings	29,357	324	74,633	370
Total Credits	<u>\$ 359,677</u>	<u>\$ 473,906</u>	<u>\$ 1,295,110</u>	<u>\$ 498,244</u>
Net Tax Yield	\$ 7,859,210	\$ 11,720,657	\$ 30,225,192	\$ 11,100,798
Less: Commissions a)	<u>334,304</u>	<u>332,224</u>	<u>604,504</u>	<u>472,071</u>
Net Taxes Due	\$ 7,524,906	\$ 11,388,433	\$ 29,620,688	\$ 10,628,727
Taxes Paid	7,477,575	11,351,739	29,482,739	10,621,788
Refunds (Current and Prior Year)	<u>59,109</u>	<u>41,489</u>	<u>173,584</u>	<u>22,788</u>
Due Districts or (Refunds Due Sheriff) Note 8	<u>\$ (11,778)</u>	<u>b) (4,795)</u>	<u>c) (35,635)</u>	<u>d) (15,849)</u>

a), b), c), and d) See Page 4

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY
MICHAEL HELMIG, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
March 30, 2001
(Continued)

a) Commissions:

10% on	\$	10,000
4.25% on	\$	25,565,937
2% on	\$	30,225,192
1% on	\$	5,104,728

b) Special Taxing Districts:

Library District	\$	(469)
Health District		11
Extension District		(446)
Union Ambulance District		418
Walton Fire District		(135)
Union Fire District		75
Bellevue Fire District		(455)
Hebron Fire District		(287)
Burlington Fire District		7
Petersburg Fire District		(296)
Pt. Pleasant Fire District		(2,197)
Verona Fire District		2
Florence Fire District		(1,023)

Due Districts or (Refunds Due Sheriff)	\$	<u>(4,795)</u>
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c) School Taxes

Common School	\$	(35,568)
Graded School		<u>(67)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(35,635)</u></u>
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d) State Refunded the Sheriff \$15,849 in September 2001.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT

March 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of March 30, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT
March 30, 2001
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2000 through March 30, 2001.

Note 4. Interest Income

The Boone County Sheriff earned \$79,838 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school districts as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Boone County Sheriff collected \$96,526 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Boone County Sheriff collected \$4,820 of advertising costs and \$4,820 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). Since, the Sheriff pays for the advertising out of the fee account, he transferred the advertising cost to the fee account and the advertising fees will be used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the Sheriff had \$1,734 in unrefundable duplicate payments, unexplained receipts, and checks to be written off. Therefore, the Sheriff should send a written report to the Treasury Department.

Note 8. Due From Districts

The large amounts due from the districts are the result of an exoneration of a previously paid General Electric Tax Bill. The state did not approve the refund of payment until August 2001 even though they had authorized a portion of the refund to be applied to an additional tax bill owed by General Electric during the 2000 tax year. The state issued a check for \$15,849 in September 2001. The remaining portion of the refund was paid in November 2001 and a credit was taken against the current collections of the appropriate districts.

COMMENT AND RECOMMENDATION

BOONE COUNTY
MICHAEL HELMIG, SHERIFF
COMMENT AND RECOMMENDATION

March 30, 2001

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition and a material weakness under standards established by the American Institute of Certified Public Accountants. During the audit it was noted that the tax bookkeeper collects taxes as well as reconciles and reports tax collections. The tax bookkeeper also prepares checks for tax distributions and refunds. We recommend that the Sheriff's office separate these duties in the future.

Sheriff's Response:

No response.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Members of the Boone County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Boone County Sheriff's Settlement - 2000 Taxes as of March 30, 2001, and have issued our report thereon dated June 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boone County Sheriff's Settlement - 2000 Taxes as of March 30, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 2, 2003

